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Monthly Statistical Report

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JULY 1990

SUMMARY

Though overshadowed by troubling circumstances in the Middle East in early August, July's supply/demand developments still included some otherwise noteworthy events.

Domestic refinery activity, already beginning to recover in June from problems which had hampered operations for much of the spring, surged in July, with utilization reaching levels among the highest ever observed. Deliveries took off as well, rising 6.5 percent or over 1 million B/D over a year ago—contrasting with a first-half decline of about 2 percent.

Gasoline deliveries jumped an unusually large 6.0 percent for the month—versus a first-half decline of about 1 percent. Distillate deliveries rose nearly 13 percent, also contrasting with a weak first half. Deliveries of "other oils" rose 5.1 percent versus a first-half decline of around 3 percent, while residual fuel oil deliveries increased for the third month in a row. Kerosine jet fuel deliveries rose a moderate 4.0 percent.

Despite the unusually large increase in deliveries, it is highly unlikely that actual consumption rose so strongly, especially given the current lackluster economy; we estimate overall consumption continued to be flat to down slightly. More likely, some distributors and end users, noting crude oil prices which had risen steadily since the end of June and the increasing availability of products from refineries, may have moved to replenish nonprimary inventories.

July's crude production fell 5.3 percent from a year ago, to 7.0 million B/D. Though this was partly the result of reduced North Slope production because of special projects there to perform maintenance and to increase gas and water handling capability, declines in production in both the lower 48 and Alaska have reduced domestic production by about 2 million B/D or 20 percent since early 1986.

Total imports continued near June's 9 million B/D level and were up 8.4 percent from a year ago. July's imports continued to exceed half of domestic deliveries, and for the first seven months of this year, imports have averaged 50.0 percent of deliveries.

Total inventories rose 17 million barrels during July. Crude stocks slipped slightly from June's unusually high levels, but still exceeded 380 million barrels. Despite the month's strong deliveries, high refinery output added 3 million barrels to gasoline inventories during the month.

PRODUCT SUPPLIED [1]

Gasoline

GASOLINE JUMPS 6 PERCENT.

Gasoline deliveries jumped 6.0 percent in July, after falling about 1 percent in the first half and about 3 percent in June. Just as gasoline deliveries' earlier weakness this year seemed to understate what other indicators suggested for consumption, July's unusually large increase seems highly unlikely to represent a surge in actual usage, which is believed to have continued to be flat to down slightly. In fact, incorporating July's figure into the year-to-date total makes this year's deliveries for the first seven months roughly flat when compared with those of the year-ago period.

Though the heavy rains of May and June may have hindered travel or deliveries temporarily, this would not explain July's surge, especially with the apparent sluggishness of the economy. The increasing availability of product over the past month or so as refinery output strengthened, combined with the observation that refiner's crude oil costs had been rising steadily since the end of June, may have led some distributors and others to conclude that it was an opportune time to replenish nonprimary inventories.

Meanwhile, as if to corroborate that July's unusually strong deliveries ought not to be taken too seriously as an indicator of consumption growth, the latest data on travel slowed from growth rates of around 3 percent in March and April to 2.6 percent in May. This smaller increase, however, was still not a marked departure from travel growth last year which had averaged 2.8 percent.

Distillates

STRONG IN JULY BUT MODERATE FOR YEAR TO DATE.

Distillate deliveries, reversing the declines of the previous two months, rose 12.6 percent after a weak first half. Though this

	API ESTIMATES JULY		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	17.5	6.5	17.0	(0.8)
Crude production[2]	7.0	(5.3)	7.3	(5.9)
Total imports[2]	9.0	8.4	8.5	7.7
Stocks (million bbl)[2]	1,110	3.3	na	na

was partly the result of comparison against weak deliveries a year ago, deliveries this July were, as with gasoline, unusually strong for the month.

Though July's deliveries were unusually strong, comparison over a longer period gives a better indication of what the underlying trend in consumption has likely been in the past several months. Year-to-date deliveries were down 0.6 percent, but on a weather-adjusted basis, up a little over 1 percent.

Residual Fuel Oil

UP THIRD MONTH IN A ROW. Deliveries of residual fuel oil were up 4.4 percent in July, the third consecutive monthly increase. However, for the first seven months of the year, residual fuel supplied has been down nearly 7 percent. Declining persistently between August 1989 and April of this year, resid deliveries' year-to-year growth has averaged about 7 percent during the past three months. Growth in electricity demand as well as growing bunker fuel demand (to satisfy increasing oil imports) are believed to have contributed to the month's gains.

Nationwide, electricity demand was up by about 3.5 percent during July. However, in the New England and Mid-Atlantic states, which rely most heavily on residual-fired generation, growth was slightly stronger.

Vessel bunkering has historically been a leading use for residual fuel (second only to electric utility generation). In 1988, consumption in this sector accounted for nearly 30 percent of residual fuel demand. Because petroleum imports represent a large share of total water-borne U.S. imports (by volume), residual fuel use in vessel bunkering typically moves in tandem with changing levels of these imports. Between 1984 and 1988, for example, residual fuel demand for bunker fuel increased by 39 percent while imports of petroleum increased by 36 percent. With petroleum imports accounting for more than 50 percent of domestic consumption in July, bunker fuel demand is believed to have been growing.

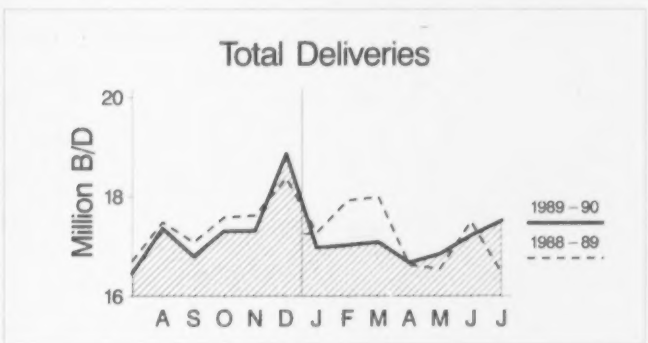
Kerosine Jet Fuel

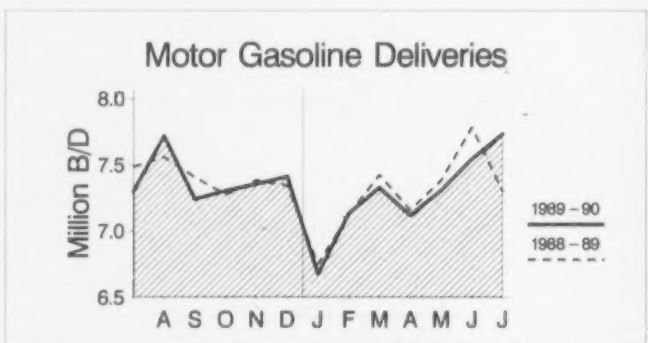
DELIVERIES UP 4 PERCENT. Deliveries of kerosine jet fuel were up 4.0 percent in July, a rate comparable to that seen for the first seven months of the year as a whole. Growth during the month is believed to have trailed growth in miles flown (up an estimated 5-6 percent).

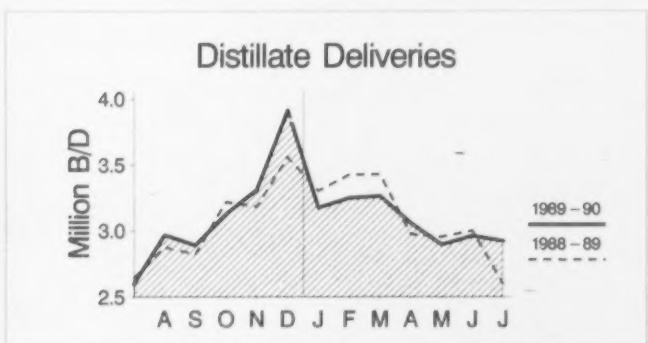
On domestic routes, growth in passenger travel has lagged behind growth in airline seating capacity. In recent months, load factors on these routes have been down by more than four points versus corresponding months last year. On international flights, however, load factors have been climbing. While passenger travel continues to grow at double digit rates, growth in aircraft miles has been slower. Part of the increase in international load factors reflects a trend among airlines to offer international flights on smaller aircraft. Transportation Department statistics confirm this, showing average capacity on international flights to have declined by about 2 seats or 1 percent over the past year.

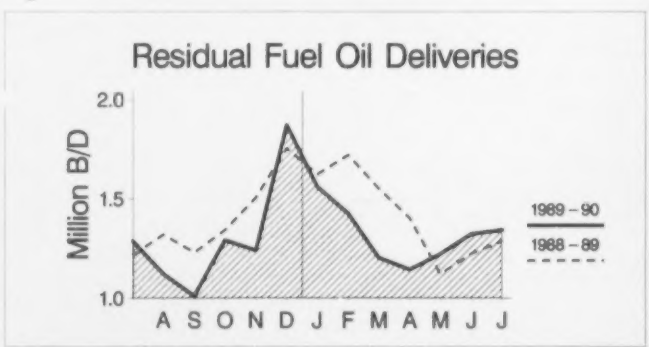
Other Oils

RISE CONTRASTS WITH FIRST-HALF DECLINE. Deliveries of "other oils" rose 5.1 percent in July, contrasting with a first half decrease of around 3 percent. Though deliveries in this category appear to have moderated their decline in recent months, July's deliveries, which showed the first year-to-year increase in over a year, were still above the trend of recent prior months.









SUPPLY [1/]

Production

CRUDE OIL FALLS 5.3 PERCENT. July's crude production fell 5.3 percent or about 400 thousand B/D from a year ago, continuing the decline which has persisted for more than four years and has reduced domestic crude oil output by roughly 2 million B/D or 20 percent since early 1986. For the year to date, U.S. crude production has fallen 5.9 percent or about 450 thousand B/D. In the lower 48, production for the first seven months dropped approximately 360 thousand B/D, and Alaskan production, 90 thousand B/D. Though Alaskan production in July was reduced because of projects this summer to perform maintenance and increase gas and water handling capability, production last July was also below trend, so that the year-to-year decline of about 90 thousand B/D was in line with the year-to-date average.

Well completions in the first half, according to API's latest *Quarterly Completion Report*, were up about 9 percent over a year ago, with oil completions up 13 percent and gas completions up 18 percent. The increase for oil, however, was against the lowest rate of oil completions since the early 1970s; oil completions have mostly drifted downwards since the substantial oil price decline of 1986, when oil completions dropped by half in one year.

Imports

YEAR-TO-DATE IMPORTS AT 50 PERCENT. Imports for July were up 8.4 percent for the month and 7.7 percent for the year to date. Crude oil imports rose 642 thousand B/D; product imports slipped 53 thousand B/D, contrasting with year-to-year increases in May and June. Total imports as a percent of domestic deliveries amounted to 51.3 percent for July—the third month in a row for which the figure has exceeded the halfway mark— and 50.0 percent for the year to date. Even if adjusted for imports above those that would have been needed to meet demand and fulfill typical inventory patterns, the percentage for the year to date would still have been about 47 percent.

Imports of gasoline and components continued at over half a million B/D for the third month in a row, rising 80 thousand B/D from a year ago to 519 thousand B/D. Imports of finished gasoline rose 78 thousand B/D to 461 thousand B/D. Distillate imports declined 61 thousand B/D to 273 thousand B/D, while residual fuel oil imports dropped 16 thousand B/D to 540 thousand B/D. Imports of kerosine jet fuel declined 28 thousand B/D to 83 thousand B/D, near the lower end of the 70 - 150 thousand B/D range of the past year or two.

Refinery Operations

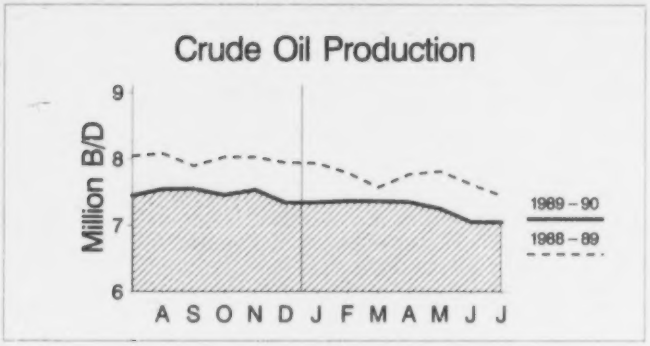
ACTIVITY STRONG IN JULY. Refinery activity, which in June had begun to recover from various refinery problems that hampered operations during the spring, surged in July. Input to distillation units reached 14.5 million B/D, up nearly 4 percent over a year ago and the highest monthly level in more than a decade. Utilization of reported capacity reached 93.5 percent, nearly four points above the recent-year high set in June 1989. For capacity in actual operation, utilization is estimated to have exceeded 95 percent.

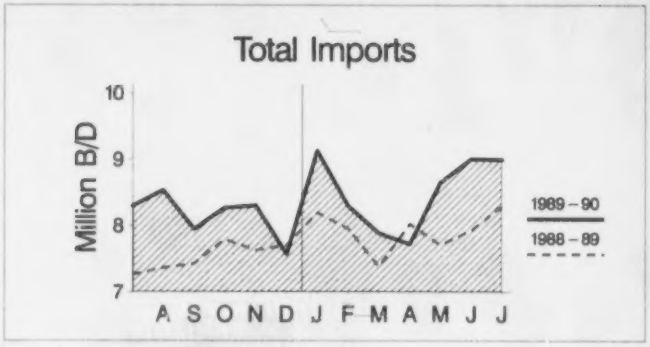
Gasoline output rose to 7.35 million B/D, about even with strong levels a year ago July, when gasoline production had reached the highest monthly level since 1978. Production levels for distillate, kerosine jet fuel, and residual fuel oil rose 4.7 percent, 8.1 percent, and 17 percent, respectively.

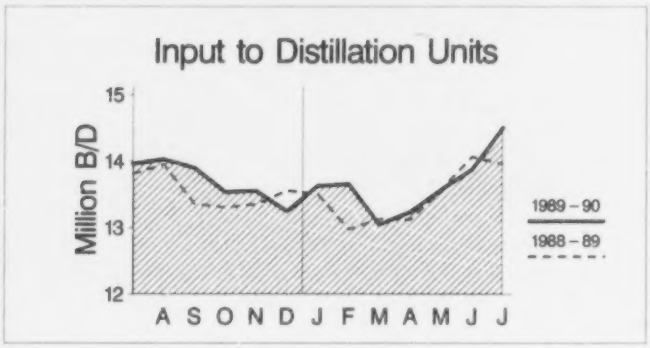
Inventories

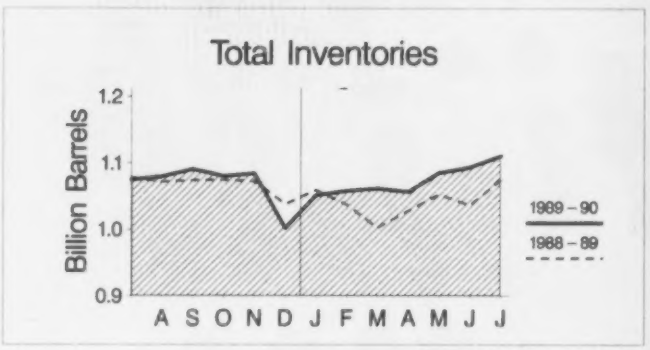
TOTAL STOCKS UP 17 MILLION BARRELS. Increases in product stocks raised overall inventories by 17 million barrels during July. Though crude oil stocks declined slightly to 382 million barrels, they continued in a range that, until recently, has not been experienced since the early 1980s.

Despite extremely strong gasoline deliveries, the high level of refinery production led to a 3 million barrel increase in gasoline stocks during July to 218 million barrels. In the previous five years, gasoline stocks at the end of July have ranged from 210 to 230 million barrels. Distillate stocks rose 8 million barrels during the month to 119 million barrels.









1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 587 million barrels as of July 31, 1990).

ESTIMATED UNITED STATES PETROLEUM BALANCE
(Daily Average in Thousands of 42 Gallon barrels)

Products Supplied/Supply From Primary Storage	JULY			YEAR-TO-DATE		
	1990[1]	1989[2]	% Change	1990[3R]	1989[2]	% Change
Products Supplied:						
Total motor gasoline	7,731	7,296	6.0	7,261	7,272	(0.2)
Finished leaded motor gasoline/*	426	787	(45.9)	426	935	(54.4)
Finished unleaded motor gasoline/*	7,305	6,509	12.2	6,835	6,337	7.9
Naphtha-jet	133	204	(34.8)	176	204	(13.7)
Kerosine-jet	1,268	1,219	4.0	1,289	1,243	3.7
Distillate fuel oil	2,922	2,596	12.6	3,074	3,094	(0.6)
Residual fuel oil	1,343	1,286	4.4	1,316	1,414	(6.9)
All other oils[4]	4,231	4,024	5.1	4,024	4,092	(1.7)
Reclassified[5]	-112	-172	(34.9)	-94	-143	(34.3)
Total domestic products supplied	17,516	16,453	6.5	17,046	17,176	(0.8)
Exports	725	780	(7.1)	772	835	(7.5)
Total products supplied	18,241	17,233	5.8	17,818	18,011	(1.1)
Supply:						
Domestic production:						
Crude oil[6]	7,046	7,444	(5.3)	7,255	7,707	(5.9)
Natural gas liquids	1,432	1,541	(7.1)	1,487	1,609	(7.6)
Other supply[7]	1,325	1,198	10.6	1,061	947	12.0
Total domestic supply	9,803	10,183	(3.7)	9,803	10,263	(4.5)
Imports:						
Crude oil, total[8]	6,781	6,139	10.5	6,224	5,600	11.1
Canadian	678	596	13.8	627	641	(2.2)
Other	6,103	5,543	10.1	5,597	4,959	12.9
Products, total	2,208	2,155	2.5	2,303	2,321	(0.8)
Residual fuel oil	540	556	(2.9)	565	684	(17.4)
Other	1,668	1,599	4.3	1,738	1,637	6.2
Total imports	8,989	8,294	8.4	8,527	7,921	7.7
Total supply	18,792	18,477	1.7	18,330	18,184	0.8
Stock change, all oils	551	1,244	*****	512	173	*****
Refinery Operations						
Input to crude oil distillation units	14,502	13,957	3.9	13,645	13,480	1.2
Operable capacity	15,516	15,698	(1.2)	15,532	15,681	(1.0)
Refinery utilization (%)[9]	93.5	88.9	5.2	87.9	86.0	2.2
Crude oil runs	14,297	13,848	3.2	13,469	13,317	1.1

Stocks (millions bbls.)	1990		1989[2]	% Change from	
	Jul. 31[10]	Jun. 30[10]	Jul. 31	Previous Month	Year Ago
Crude oil[8]	381.7	383.3	333.2	(0.4)	14.6
Unfinished oils	111.8	115.0	109.0	(2.8)	2.6
Total motor gasoline/**	217.6	214.8	228.9	1.3	(4.9)
Finished leaded motor gasoline/*	10.6	10.9	24.8	(2.8)	(57.3)
Finished unleaded motor gasoline/*	167.2	165.2	165.3	1.2	1.1
Naphtha-jet	6.4	6.4	6.6	0.0	(3.0)
Kerosine-jet	44.7	41.7	40.8	7.2	9.6
Distillate fuel oil	119.1	110.8	115.0	7.5	3.6
Residual fuel oil	45.1	44.1	42.7	2.3	5.6
All other oils	183.8	177.0R	198.3	3.8	(7.3)
Total all oils	1,110.2	1,093.1R	1,074.5	1.6	3.3

/1 Based on API estimated data converted to a monthly basis.
/2 Source: U.S. Department of Energy.
/3 January-May,DOE, June-July API.
/4 Includes crude losses.
/5 Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from the total domestic products supplied.
/6 API estimate; includes lease condensate.
/7 Includes Unaccounted-for crude oil, Processing gain and Field Production of other hydrocarbons and alcohol.
/8 Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
/9 Represents "Input to crude oil distillation units" as a percent of "Operable capacity".
/10 Derived by interpolating API weekly stocks data.
/R Revised.
/* Included in motor gasoline.
/** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.